

## Message Text

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42

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

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R 162225 Z MAY 73

FM AMEMBASSY SANTIAGO  
TO SECSTATE WASHDC 4336  
INFO AMEMBASSY BRASILIA  
AMEMBASSY BUENOS AIRES  
AMEMBASSY LIMA  
AMEMBASSY LA PAZ  
AMEMBASSY CARACAS  
AMEMBASSY QUITO  
AMEMBASSY BOGOTA

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E. O. 11652: N/ A

TAGS: ECON, CI

SUBJECT: RECENT ECONOMIC INDICATORS REVEAL INCREASING PROBLEMS

1. SOFOFA INDUSTRIAL PRODUCTION INDEX SHOWS PRODUCTION DOWN 7.1 PERCENT DURING FIRST TWO MONTHS OF 1973 COMPARED TO SAME PERIOD LAST YEAR. THE INDUSTRIAL PRODUCTION INDEX FOR JAN 1973 SHOWS 2.2 PERCENT DECREASE COMPARED TO JANUARY 1972. SINCE JANUARY- FEBRUARY ARE VACATION MONTHS IN CHILE, ABOVE DATA MUST BE TREATED WITH CAUTION. HOWEVER, INDUSTRIAL DECLINE IS CONTINUATION OF GENERAL DOWNWARD TREND SINCE LAST SEPTEMBER ( A-62).

2. ACCORDING TO AUTOMOTIVE COMMISSION SOURCE, AUTOMOBILE-TRUCK PRODUCTION IN FIRST QUARTER OF 1973 WAS 20 PERCENT LOWER THAN IN SAME 1972 PERIOD. CORFO SOURCE EXPECTED THAT SECOND QUARTER 1973 VEHICLE OUTPUT WILL BE EVEN LOWER THAN IN FIRST THREE MONTHS BECAUSE SHORTAGES OF STEEL AND IMPORTED COMPONENTS FOR VEHICLES ARE GETTING WORSE.

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3. APRIL 1973 CPI SHOWS COST OF LIVING RISE OF 10.2 PERCENT OVER MARCH. MOST SIGNIFICANT PERCENTAGE INCREASES LAST MONTH WERE IN CLOTHING AND FOOD. INFLATION HAS BEEN 34.4 PERCENT FOR FIRST FOUR MONTHS OF 1973 AND 195 PERCENT ON 12 MONTH MOVING AVERAGE BASIS. MAY 1973 COST OF LIVING INCREASE WILL PROBABLY BE CONSIDERABLY GREATER THAN APRIL. OFFICIAL PRICE RISES IN SUCH BASIC CONSUMERS ITEMS AS MILK, BUTTER, CHEESE, VEGETABLE OIL, CIGARETTES AND TEXTILES HAVE ALREADY OCCURRED THIS MONTH. WE UNDERSTAND THAT AUTOMOBILE PRICES MAY BE INCREASED SIGNIFICANTLY IN NEAR FUTURE.

4. ACCORDING LATEST CENTRAL BANK DATA, TOTAL MONEY SUPPLY HAS GROWN APPROXIMATELY 50 PERCENT FROM JAN- APRIL THIS YEAR AND 209 PERCENT ON 12 MONTH MOVING AVERAGE. CENTRAL BANK STATISTICS ALSO SHOW SAVINGS ARE CONTINUING TO DECLINE IN REAL TERMS DURING 1973.

5. COMMENT: THESE ECONOMIC INDICATORS ACCURATELY REFLECT THE DEEPENING ECONOMIC PROBLEMS FACING CHILE.

DAVIS

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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**TAGS:** ECON, CI  
**To:** BOGOTA  
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